BUSINESSTODAY

Achieve Food Security By Empowering Rural Economy To Be Self Sufficient

Eradicating rural poverty should be linked to self-sufficiency in our food security albeit to be sure not necessarily across the board, and this, in turn, entails empowering the rural economy (and by extension the economy as a whole) to be "self-sufficient".

The link between rural poverty eradication and agriculture has always been recognised under successive Malaysia Plans. For example, under the Third Malaysia Plan (1976-1980), agriculture remained "the dominant sector of the economy" essential for "the attainment of the objectives of the New Economic Policy (NEP)".

Nonetheless, a self-sufficient rural economy requires concerted and sustained State planning and intervention/pro-active measures – that go beyond the formulation of national strategic blueprints such as the Malaysia Plans.

If need be, the State must be prepared and committed to:

Command(eer) the agricultural and non-agricultural resources from the private sector to promote food security; but at the same time.

Ensure that the private sector can flourish and thrive in providing agricultural produce that allows us to have food security. The partial abolition of the approved permits (APs) – as ever-only a temporary solution – is a step in the right direction.

In other words, we need to have both forms of agricultural "protectionism" and "liberalisation" executed in tandem and synchronisation.

In protecting our agricultural sector, as part of the agenda to eradicate rural poverty, we need to tackle the issue of speculation and financialisation of food produce head-on.

This has to do with the transformation of forwards and futures contracts on which both the farmer/food producer and the markets depend for price stability (future) and discovery (spot) – paralleling the abuse of APs – as embodied by "derivatives".

We should learn from the Great Food Crisis of 2008 (which badly affected Malaysia also) – which followed the onset of the Great Financial Crisis when the derivatives on mortgage-backed securities (MBS) such as credit default swaps (CDS) and collateralised debt obligations (CDOs) "exploded". As primarily epitomised by the hedge funds, the speculators turned their attention to food crops/commodities.

When speculative activities in the international clearing markets that distort prices (and encourage hoarding activities in turn) are effectively addressed and regulated, then input costs and essential/strategic food commodity items wouldn't be subject to wild fluctuations and held "hostage".

On the one hand, there's price gouging by cartels at the international level but on the other hand, there are also the speculators acting in concert with each other to manipulate prices for their financial benefit.

Sometimes, the speculator is the middleman and vice-versa (i.e., when there are futures and forward contracts involved).

Needless to say, both speculation and profiteering distort the market (instead of blaming subsidies as is usually the case in the mainstream).

This isn't at all to diminish the role of supply-side and supply-chain bottlenecks but merely to point out the other reality.

Addressing this would go a long way to addressing food price inflation (purchasing power of consumers) and input costs inflation (purchasing power of farmers/producers).

Our poverty eradication agenda as embodied by the New Economic Policy (NEP) – of which a drastic/radical update and "inversion" (up-side-down reforms) are sorely needed – shouldn't be hampered and held back by geo-financial vicissitudes when this is something that's even more within our control (internationally and domestically).

Therefore, we might need to further regulate this area by imposing certain requirements for foreign speculators (i.e., through the Chicago Mercantile Exchange (CME) trading platform).

One of which is the condition that there must be physical purchases of stocks (the underlying assets), i.e., crude palm kernel oil (CPKO), which can also be used to make chicken feed. That is, no cash settlement, the physical settlement only (at the clearing process).

In turn, these underlying assets must be sold back to local buyers within a specified time period (i.e., an additional contract that can't be longer than three months).

This practice could be replicated once BMD is further liberalised to allow for trading in rice and other food items.

This purely market-driven process has to run in parallel with acute State intervention – i.e., the State as the stockpiler-of-the-last resort (to ensure that prices don't deviate too much).

As such, our agricultural sector and, by extension, the rural economy would be both open and protected at the same time/simultaneously.

To begin with, the "changes" need to occur on a more fundamental level, i.e., domestically.

Although rural poverty has reduced to 12.4% on the whole, pockets of deprivation still exist in both West and East Malaysia.

The rural hardcore poor are trapped in a "vicious cycle" as a kind of a "developmental subaltern". Policy-wise (on paper), the rural hardcore poor are included in the same development plans. In reality, they're excluded and marginalised in terms of actual outreach – implementation and execution.

The competition between agricultural and industrialisation policies saw the former giving way to the latter – in terms of land use and space.

And within the wider agricultural sector, commodities took priority over food crops.

There's a need for a paradigm shift and solution to resolve the policy and existential tensions.

One in which we need to rebalance our national strategic portfolios to accord greater space to food agriculture as a matter of human and national security (like climate change, for example) on the back of 4IR (Fourth Industrial Revolution) technology or digitalisation such as Internet-of-Things (IoT), Big Data artificial intelligence (AI) and robotics – to allow for spatial overlap (i.e., multi- or inter-cropping).

When the NEP was first introduced in 1970, agriculture's share of the economy accounted for about 30% or roughly one-third of the country's GDP but has since declined to 10.5% in 2000. According to the **Department of Statistics Malaysia (DOSM),** agriculture contributed only 7.4% in 2020.

Within the wider agricultural sector, the agro-food sub-sectors contribution was at 48.2% in 2020, valued at RM52 billion.

For example, a padsy planter under the Muda Agricultural Development Authority (Mada) in Kedah – which contributes somewhere between 40% to 45% of the nation's total paddy output – now has to pay RM78 for fertiliser which used to cost RM50. Pesticides hitherto cost RM48 but are presently selling for RM90.

In 2016, the average or mean income of paddy planters under Mada was only a meagre RM2527 per month.

It has to be highlighted that in addition to such disproportionate levels of income, most of the paddy farmers are also in debt to both government and private entities.

It's reported that 300,000 paddy planters are "drowning" in debt and, hence, the problem becomes inter-generational and, by extension, structural.

The trend is also similar for other farmers – be it vegetables or poultry, etc.

On top of that, there are the structural issues of the middlemen – cartels and monopolies – that are more often than inextricably linked to political connections (which isn't limited only to the APs).

In short, the global cost-push and supply-side inflation have only worsened the structural woes faced by our agro-food farmers – the unsung heroes of the nation.

This form of supply chain management (SCM) allows farmers to be connected to the global value chain (GVC) via MNCs and other private sector players.

Empowering farmers with contract farming is key to achieving a sustainable and self-sufficient rural economy.

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https://www.businesstoday.com.my/2022/06/03/achieve-food-security-by-empowering-rural-economy-to-be-self-sufficient/